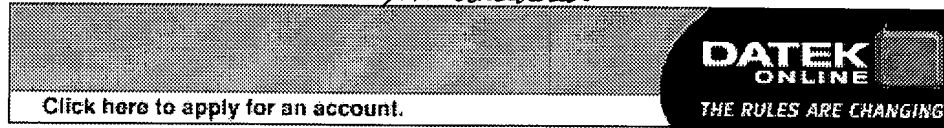


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Subject: Trading - Opening Prices

Last-Revised: 26 Feb 1997

Contributed-By: lott@invest-faq.com, John Schott (jschott at voicenet.com)

The previous day's close, as well as any after-hour trading in a security may have significant effects on the opening price, but that isn't the whole story. Here's a quick summary of how the process for determining the opening price works.

The basic problem is that the closing price from the previous trading day is no longer a valid indicator of a stock's perceived value. News may have appeared since the previous close, there may have been trading on foreign exchanges that open before US domestic exchanges, and there surely has been a flow of new and changed orders since the previous close.

On the NYSE and ASE, the specialist determines the opening price by looking at his/her "book." The specialists are supposed to select the one price that clears out the maximum number of orders; i.e. by looking at the buy and sell offers and choosing a single price will execute the most orders (shares). But it is possible that today's book contains no orders from yesterday - or at least none that might affect the opening. So the specialist may have to make an educated guess to kick off initial trading.

As a multi-market maker exchange, NASDAQ's computerized system opens differently. Market makers perform a two stage round-robin opening. First, each posts a single bid and asked price pair. This price can signal each firm's view of the security, its current desire to buy or sell, or it may indicate that a firm is out of calibration with others in the market. After all have seen the first round, each firm may revise their postings once and trading starts as the executions flow to "best" postings. And off the day's trading goes.

You may read about "gaps" in the opening price, or that trading in a security began late. This commonly happens when news that was released after the previous market close impacts a security's price. The opening price in these cases differs sharply from the previous day's close, either higher or lower. For example, a company may release unexpectedly good earnings early in the morning just before the market opening. If there is a potential price impact expected, the firm, its specialist/market makers, or the exchange itself may delay the opening to allow the news to reach as many people as possible before an opening is made.

An extreme example of what a specialist may have to deal with happened in February 1997. Mercury Finance (MFN) closed around 15 and opened the next day near 1 1/2 due to extremely bad news overnight. (I am ignoring what might

have happened in after hours trading - but that would have some effect.) Some poor souls might not have heard the bad news and left open their old buy or sell orders at 14-15. The NYSE specialist could potentially have opened the stock at \$14, taken out those orders and then done the next trades at 1 1/2 (or where-ever it did open: 1-3/8 or 1-5/8). But looking at the books, he eventually decided on a delayed opening, allowing people time to assess the news and adjust open and new orders accordingly. Once a pattern of orders emerged, the opening occurred according to normal procedures. An unrevised open buy order from yesterday executed at today's far lower price... An inattentive market-price seller from yesterday would get today's sharply reduced price, too.

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(c) 2000 Resp. DB Svcs.
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File 570:Gale Group MARS(R) 1984-2000/Oct 10
(c) 2000 The Gale Group
File 146:Washington Post Online 1983-2000/Oct 08
(c) 2000 Washington Post
File 387:The Denver Post 1994-2000/Oct 09
(c) 2000 Denver Post
File 471:New York Times Fulltext-90 Day 2000/Oct 10
(c) 2000 The New York Times
File 492:Arizona Repub/Phoenix Gaz 19862000/Sep 24
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File 494:St LouisPost-Dispatch 1988-2000/Oct 09
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File 630:Los Angeles Times 1993-2000/Oct 10
(c) 2000 Los Angeles Times
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File 632:Chicago Tribune 1985-2000/Oct 10
(c) 2000 Chicago Tribune
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Set Items Description

S1 85953 (OPENING OR REOPENING OR INITIAL)(10N) (PRICE? OR QUOT?)
 S2 949 (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR
 INITIAL)(2N)OPENING OR LOCK()IN)
 S3 31 (PRETRADING OR PRE()TRADING)
 S4 84317 (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR -
 OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION?
 OR BUY? OR PURCHAS?)
 S5 23134 TRADING
 S6 45287 (OPENING? OR INITIAL? OR INTRODUCITOR?)(2N)(S4 OR S5) OR OP-
 ENING(2N) DELAY?
 S7 45481 S2(10N)(S4 OR S5) OR S3(10N) S4 OR S6
 S8 608 (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-
 RBALANC? OR DISEQUILIBR? OR DIS()(EQUILIBR? OR DISPROPORT?))
 S9 1420 (BUY (3N)SELL) OR OFFER? (3N)DEMAND?
 S10 77 S8(10N) S9 OR ORDER?(2N)S8
 S11 29 S7(S)S10
 S12 4288 (MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIAL-
 IST?
 S13 5 S11(S)S12
 S14 5 S13 AND S1 *Limit all / S7*
 S15 15041 (WEB OR NETWORK? OR NET()WORK? OR W3 OR INTERNET OR INTRAN-
 ET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR IN-
 TERACTIV?)
 S16 3209 S7(S)S15
 S17 2 S16(S)S8
 S18 1 S11(S)S16
 S19 59 S7(S)S8
 S20 1 S19(S)S16 NOT S18
 S21 55 S16(S)S12
 S22 5 S21 (S) (OPENING()PRICE?)

all considered

DIALOG
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?shf; ds

File 15:ABI/Inform(R) 1971-2000/Oct 06

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File 275:Gale Group Computer DB(TM) 1983-2000/Oct 06

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File 16:Gale Group PROMT(R) 1990-2000/Oct 06

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File 160:Gale Group PROMT(R) 1972-1989

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File 148:Gale Group Trade & Industry DB 1976-2000/Oct 06

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Set	Items	Description
S1	21904	OPEN?(2N)PRIC?
S2	19737	MARKET()MAKER?
S3	150	S1(S)S2
S4	4	S3 AND S1/TI
S5	4193614	NETWORK? OR INTERNET? OR ONLINE OR ON()LINE
S6	29	S3(S)S5
S7	14	RD (unique items)
S8	5528	OPENING()PRICE?
S9	9	S8(S)S2
S10	8	RD (unique items)
S11	12	S8(S)IMBALANCE?
S12	91	S8 (S)AUCTION?
S13	12	S12 (S) (S5 OR INTERACTIV?)
S14	8	RD (unique items)
S15	5	PRIMEX()HOLDINGS
S16	2	RD (unique items)
S17	2	S16 AND AUCTION

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File 15:ABI/Inform(R) 1971-2000/Oct 10

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File 16:Gale Group PROMT(R) 1990-2000/Oct 09

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File 160:Gale Group PROMT(R) 1972-1989

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File 148:Gale Group Trade & Industry DB 1976-2000/Oct 10

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Set Items Description

S1 562996 (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR OPENING OR LOCK-
()IN OR PRETRADING OR PRE()TRADING OR INTRODUCOR?)

LIMITALL/s1

S2 35093 (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR
INITIAL)(2N)OPENING OR LOCK()IN)

S3 44 (PRETRADING OR PRE()TRADING)

S4 471551 (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR -
OFFER? OR SALE? OR SELL? OR TRADE? OR TRANSACTION? OR BUY? OR
PURCHAS?)

S5 46625 TRADING

S6 52641 (OPENING? OR INITIAL? OR INTRODUCOR?)(2N)(S4 OR S5)

S7 59591 S2(10N)(S4 OR S5) OR S3(10N) S4 OR S6

S8 7932 (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-
RBALANC? OR DISEQUILIBR? OR DIS()EQUILIBR? OR DISPROPORT?)

S9 4923 (BUY (3N)SELL) OR OFFER? (3N)DEMAND?

S10 22 S8(10N) S9

S11 5 S7(S)S10

S12 4058 (MARKET OR STOCK?) ()(MAKER? OR SPECIALIST? OR PARTICIPANT-
?)

S13 0 S11(S)S12

LIMITALL/s7

S14 25190 (WEB OR NETWORK? OR NET()WORK? OR W3 OR INTERNET OR INTRAN-
ET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR IN-
TERACTIV?)

S15 11 S10 NOT S11

S16 11 S7 AND S15

S17 102 S7(S)S8

S18 7 S17(S)S12

S19 4 RD (unique items)

S20 2 S17(S)S14 NOT (S10 OR S18)

S21 7318 S7(S)S14

S22 2951 S21 (S) (NETWORK? OR SERVER?)

S23 381 S7(S)S12

S24 11 S23(S)S22

S25 7 RD (unique items)

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File 625: American Banker Publications 1981-2000/Oct 09
(c) 2000 American Banker
File 268: Banking Information Source 1981-2000/Oct W1
(c) 2000 Bell & Howell
File 626: Bond Buyer Full Text 1981-2000/Oct 09
(c) 2000 Bond Buyer
File 267: Finance & Banking Newsletters 2000/Oct 06
(c) 2000 The Dialog Corp.

Set Items Description
S1 15934 OPENING

LIMITALL/S1

S2 211 (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR
INITIAL)(2N)OPENING OR LOCK()IN)
S3 0 (PRETRADING OR PRE()TRADING)
S4 12877 (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR -
OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION?
OR BUY? OR PURCHAS?)
S5 2846 TRADING
S6 1436 (OPENING? OR INITIAL? OR INTRODUCTOR?)(2N)(S4 OR S5) OR OP-
ENING(2N) DELAY?
S7 1471 S2(10N)(S4 OR S5) OR S3(10N) S4 OR S6
S8 213 (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-
RBALANC? OR DISEQUILIBR? OR DIS()(EQUILIBR? OR DISPROPORT?))
S9 224 (BUY (3N)SELL) OR OFFER? (3N)DEMAND?
S10 9 S8(10N) S9 OR ORDER?(2N)S8
S11 6 S7(S)S10
S12 1183 (MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIAL-
IST?
S13 10 S7(S)S8
S14 4 S13 NOT S11

LIMITALL/S7

S15 386 (WEB OR NETWORK? OR NET()WORK? OR W3 OR INTERNET OR INTRAN-
ET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR IN-
TERACTIV?)
S16 373 S7(10N)PRICE?
S18 11 S7(20N)S12

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banking

- File 2:INSPEC 1969-2000/Oct W2
(c) 2000 Institution of Electrical Engineers
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File 99:Wilson Appl. Sci & Tech Abs 1983-2000/Aug
(c) 2000 The HW Wilson Co.
File 139:Econ. Lit. Index 1969-2000/Sep
(c) 2000 American Economic Association

- | Set | Items | Description |
|-------------|---------|--|
| S1 | 3503 | (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR INITIAL)(2N)OPENING OR LOCK()IN) |
| S2 | 1 | (PRETRADING OR PRE()TRADING) |
| S3 | 1574814 | (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR - OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION? OR BUY? OR PURCHAS?) |
| S4 | 15947 | TRADING |
| S5 | 2939 | (OPENING? OR REOPENING? OR INITIAL? OR INTRODUCOR?)(2N)(S3 OR S4) OR OPENING(2N) DELAY? |
| S6 | 3650 | S1 AND (S3 OR S4) OR S2 AND S3 OR S5 |
| S7 | 30276 | (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-RBALANC? OR DISEQUILIBR? OR DIS()EQUILIBR? OR DISPROPORT?) |
| S8 | 1052 | (BUY (3N)SELL) OR OFFER? (3N)DEMAND? |
| S9 | 111 | S7 AND S8 OR ORDER?(2N)S7 |
| S10 | 3 | S6 AND S9 |
| S11 | 21138 | (MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIAL-IST? |
| S12 | 1 | S10 AND S11 |
| <u>S13</u> | 3 | S10 OR S12 |
| S14 | 734 | S6 AND PRICE? |
| LIMITALL/S6 | | |
| S15 | 334 | (WEB OR NETWORK? OR ECN OR NET()WORK? OR W3 OR INTERNET OR INTRANET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR INTERACTIV?) |
| <u>S16</u> | 11 | S14 AND S15 AND (AUCTION? OR TRADING) |
| <u>S17</u> | 26 | S6 AND S11 |
| <u>S18</u> | 2 | S17 AND S7 NOT S10 |
| <u>S19</u> | 2 | S17 AND S15 NOT S16 |

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4

File 350:Derwent WPIX 1963-2000/UD,UM &UP=200049

(c) 2000 Derwent Info Ltd

File 347:JAPIO Oct 1976-2000/May(UPDATED 000915)

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Set	Items	Description
S1	7019	(PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR INITIAL)(2N)OPENING OR LOCK()IN)
S2	0	(PRETRADING OR PRE()TRADING)
S3	674987	(ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR - OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION? OR BUY? OR PURCHAS?)
S4	592	TRADING
S5	3231	(OPENING? OR REOPENING? OR INITIAL? OR INTRODUCOR?)(2N)(S3 OR S4) OR OPENING(2N) DELAY?
S6	3648	S1 AND (S3 OR S4) OR S2 AND S3 OR S5
S7	27832	(IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-RBALANC? OR DISEQUILIBR? OR DIS()(EQUILIBR? OR DISPROPORT?))
S8	151	(BUY (3N)SELL) OR OFFER? (3N)DEMAND?
S9	66	S7 AND S8 OR ORDER?(2N)S7
S10	1	S6 AND S9
S11	1096	(MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIAL-IST?
S12	1	S10 AND S11
S13	63	S6 AND PRIC?
LIMITALL/s6		
S14	117	(WEB OR NETWORK? OR ECN OR NET()WORK? OR W3 OR INTERNET OR INTRANET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR INTERACTIV?)
S15	4	S13 AND S14

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patent*

File 256:SoftBase:Reviews,Companies&Prods. 85-2000/Aug

(c)2000 Info.Sources Inc

File 278:Microcomputer Software Guide 2000/Sep

(c) 2000 Reed Elsevier Inc.

File 634:San Jose Mercury Jun 1985-2000/Oct 04

(c) 2000 San Jose Mercury News

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S1 1118 (PRE()MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR
INITIAL)(2N)OPENING OR LOCK()IN)

S2 2 (PRETRADING OR PRE()TRADING)

S3 574120 (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR -
OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION?
OR BUY? OR PURCHAS?)

S4 29713 TRADING

S5 3439 (OPENING? OR INITIAL? OR INTRODUCTOR?)(2N)(S3 OR S4) OR OP-
ENING(2N) DELAY?

S6 3594 S1(10N)(S3 OR S4) OR S2(10N) S3 OR S5

S7 5590 (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVE-
RBALANC? OR DISEQUILIBR? OR DIS()(EQUILIBR? OR DISPROPORT?))

S8 2235 (BUY (3N)SELL) OR OFFER? (3N)DEMAND?

S9 51 S7(10N) S8 OR ORDER?(2N)S7

S10 5 S6(S)S9

S11 20022 (MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIAL-
IST?

S13 975 S6(S)PRICE?

S14 2 S13(S)S7

S15 1 S14 NOT S9

S16 6 S13(S)S11

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software

File 348:European Patents 1978-2000/Oct W02

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File 349:PCT Fulltext 1983-2000/UB=20001005, UT=20000922

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Set Items Description

S1 232560 OPENING

LIMITALL/S1

S2 4740 (PRE())MARKET? OR PREMARKET? OR PREOPEN? OR (PRE OR VERY OR INITIAL)(2N)OPENING OR LOCK()IN)

S3 0 (PRETRADING OR PRE()TRADING)

S4 161443 (ORDER? OR DEMAND? OR PRICE? OR BID OR BIDS OR BIDDING OR - OFFER OR OFFERS OR SALE? OR SELL? OR TRADE? OR TRANSACTION? OR BUY? OR PURCHAS?)

S5 578 TRADING

S6 4359 (OPENING? OR INITIAL? OR INTRODUCTOR?)(2N)(S4 OR S5) OR OPENING(2N) DELAY?

S7 4576 S2(10N)(S4 OR S5) OR S3(10N) S4 OR S6

S8 5000 (IMBALANC? OR DISPROPORT? OR ASSYMETR? OR UNBALANC? OR OVERBALANC? OR DISEQUILIBR? OR DIS()(EQUILIBR? OR DISPROPORT?))

S9 101 (BUY (3N)SELL) OR OFFER? (3N)DEMAND?

S10 40 S8(10N) S9 OR ORDER?(2N)S8

S11 2 S7(S)S10

S12 913 (MARKET OR STOCK?) (2N)(MAKER? OR PARTICIPANT?) OR SPECIALIST?

S13 1 S11(S)S12

S14 2 S11 OR S13

LIMITALL/S7

S15 1017 (WEB OR NETWORK? OR NET()WORK? OR W3 OR INTERNET OR INTRANET OR SERVER? OR WWW OR EXTRANET OR ONLINE OR ON()LINE OR INTERACTIV?)

S16 143 S7(S)S15

S17 59 S7(10N)PRICE?

S18 6 S17(S)S15

S19 4 S18 NOT S14

S20 5 S7(S)S12

S21 3 S20 NOT (S14 OR S19)

all considered

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patent